

MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: August 24, 2007

SUBJECT: **May 23, 2007 Audit Committee Meeting**

In Attendance:

Jon Strinden via conference call
Ron Leingang
Rebecca Dorwart
Jamie Kinsella
Sharon Schiermeister
Leon Heick
Larry Brooks, BCBS, via conference call
Kelly Anderson, BCBS, via conference call
Dave Arntson, BCBS, via conference call

The meeting was called to order at 10:30 a.m.

I. February 21, 2007 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Quarterly Report

- A. Internal Audit Status Update – Included with the audit committee minutes was the Internal Audit quarterly report which listed all of the projects that are in active status.
- B. Quarterly Audit Finding Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit findings of the external auditors, as well as any found by the internal auditor. The report included recommendations made by Brady Martz during the 2006 fiscal year end audit. Recommendations by Internal Audit are included after the final audit report has been issued to management that includes their responses to the recommendations. A review of the updated report showed that one recommendation is 100% completed, and progress made on five others. The remaining ten recommendations have no change. Discussion followed. Internal audit staff will review recommendations

with management to determine if the old ones are still applicable, and to reprioritize them. Also, staff will follow up with Brady Martz on external audit recommendations to determine if they should remain.

III. Administrative

- A. Update on Group Insurance Staffing Status – Ms. Kinsella provided an update on the Group Insurance staffing status since the last Audit Committee meeting. Discussion followed.
- B. Internal Audit Plan for 2007 – Ms. Kinsella conveyed because of the time involved in the Group Insurance Division, she had not been able to develop an Internal Audit Plan for 2007. Ms. Kinsella indicated she hoped to have a plan developed by the next Audit Committee meeting in August for the remainder of the calendar year.
- C. Performance Evaluation – Mr. Collins informed Ms. Kinsella that the audit committee was reviewing her performance evaluation and that it should be completed soon.
- D. Goals & Objectives – Included with the audit committee materials was an updated copy of the internal audit's goals and objectives that was included in the business plans provided at the board meeting. After discussion with other internal audit directors at the APPFA conference, Ms. Kinsella indicated she made a few changes based on their recommendations. These changes were incorporated into the main business plan document.

IV. Miscellaneous

- A. Pharmacy Benefits Manager (PBM) Project – Larry Brooks, Consulting Service Manager from Blue Cross Blue Shield (BCBS), Kelly Anderson and Dave Arntson, Internal Auditors from BCBS joined the meeting via conference call. Mr. Brooks reviewed a draft memo to NDPERS outlining the prescription drug rebate process with NDPERS. Ms. Anderson provided input on her audit process. Discussion followed. This item will be on the August agenda to obtain additional information.
- B. Audit Committee Meeting - The next Audit Committee meeting will be held on August 22, 2007 at 10:30am in the NDPERS Conference room, Wells Fargo Bank Building.
- C. Publications – A copy of the May 2007 Institute of Internal Auditors Tone at the Top publication was included for information only.
- C. Continuing Professional Education – Ms. Kinsella and Mr. Heick, Internal Audit staff, attended a seminar on April 30 and May 1. The seminar's topic was "Using Risk Assessment to Build Individual Audit Programs". This seminar provided 15 continuing professional education credits. Ms. Kinsella also

attended the APPFA Professional Development Conference in Manchester, NH on May 6-9, 2007. This conference provided 17.5 continuing professional education credits.

- D. Brady Martz & Associates – Ms. Kinsella conveyed she spoke to Pat Brown from Brady Martz & Associates and he indicated they would be meeting this week to discuss their plan of action. He will get back to Ms. Kinsella once they have a better idea of what they will do. Ms. Kinsella indicated she hoped to have them in the PERS office in June for the preliminary work.
- E. Confidential Meeting Between the Audit Committee and Internal Audit Manager – The meeting between the audit committee and the internal audit division is scheduled to take place in February of each year. However, the meeting was not held in February and was rescheduled for the May meeting.

The meeting adjourned at 11:50 a.m.